

Message Text

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ACTION EB-07

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FM AMEMBASSY ALGIERS

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AMEMBASSY OTTAWA

C O N F I D E N T I A L ALGIERS 1881

E.O. 11652: GDS

TAGS: EFIN, ENRG, CIEC, AG

SUBJECT: REPRESENTATION ON CIEC

REF: STATE 181094

1. SUMMARY: IN RESPONSE TO REPRESENTATION ON CIEC, HEAD OF ECONOMIC AND SOCIAL AFFAIRS DIVISION OF ALGERIAN FOREIGN MINISTRY TOLD AMBASSADOR THAT ALGERIAN POSITION ON DEBT WAS DICTATED BY MANDATE FROM G-77 RATHER THAN CONCERN ABOUT ITS OWN SITUATION. DEBT WAS MAJOR OBSTACLE TO DEVELOPMENT AND CONCRET ACTION HAD TO BE TAKEN. LOUNES ADDED THAT IF CIEC DIALOGUE PROVED TO BE AIMED AT REDUCING TENSION RATHER THAN ACHIEVING RESULTS, OUTCOME WOULD BE COUNTERPRODUCTIVE. HE NOTED THAT G-19 COULD NOT MAKE FURTHER CONCESSIONS AT THIS STAGE--PHRASES "GLOBAL DEBT" RENEGOTIATION AND MAINTENANCE OF "PURCHASING POWER INCLUDING OIL" WERE ESSENTIAL. LOUNES CONCLUDED THAT TO CONTINUE CIEC TALKS, NEW MANDATE FROM G-77 SEEMED NECESSARY AND THAT THIS
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UNLIKELY TO BE COMPLETE BEFORE SEPTEMBER. END SUMMARY.

2. AMBASSADOR CALLED ON FERHAT LOUNES, HEAD, ECONOMIC AND SOCIAL AFFAIRS DIVISION OF MINISTRY OF FOREIGN AFFAIRS, JULY 28 OUT OUTLINE U.S. POSITION ON CONTINUATION OF CIEC DIALOGUE (REFTEL). AFTER AMBASSADOR NOTED CONTINUING COMMITMENT OF U.S. TO PRODUCTIVE CIEC DIALOGUE, LOUNES LAUCHED INTO LONG DISSERTATION ON ALGERIAN POSITION ON DEBT ISSUES AND THEIR RELATION TO GENERAL DIALOGUE. ESSENCE OF LOUNES' REMARKS AS FOLLOWS:

3. LOUNES NOTED THAT DEBT ISSUE WAS NOT ONE WHICH TOUCHED ALGERIA DIRECTLY BUT PROBLEM WHICH MOST OF G-77 COUNTRIES HAD. IT WAS NOT WORTHWHILE TO DWELL ON CAUSES OF HEAVY DEBT BURDEN OF LDCS. IDEA WAS TO FIND A SOLUTION THAT WOULD PERMIT LDCS TO USE THEIR OWN FINANCIAL RESOURCES AND NOT SEE THEM ABSORBED IN DEBT PAYMENTS TO SUCH AN EXTENT THAT IT PREVENTED FORMATION OF ADEQUATE FINANCIAL BASE. OF COURSE, TYPE OF SOLUTION FOR DEBT PROBLEM OF BANGLADESH, FOR EXAMPLE, WOULD BE DIFFERENT THAN FOR THAT OF, SAY, BRAZIL, BUT CIEC COULD DETERMINE ON A GLOBAL BASIS MEASURES FOR MORATORIA ON DEBTS AND REORGANIZATION OF DEBT TO PROVIDE FOR LONGER PERIODS OF REPAYMENT THAN AT PRESENT.

4. IN RESPONSE TO AMBASSADOR'S POINT THAT FORMULATIONS OF WORK PROGRAMS MUST BE NEUTRAL AND OBJECTIVE AND NOT TEND TO PREJUDGE RESULTS OF COMMISSIONS' WORK IN ADVANCE, LOUNES SAID GA-19 FORMULATION DID NOT PREJUDGE RESULTS. THERE WERE TWO FACTORS THAT HAD TO BE CONSIDERED IN DEBT QUESTION: A) DESIRE TO TAKE CONCRETE STEPS TO PROMOTE DEVELOPMENT, SINCE DEBT REPRESENTED MAJOR OBSTACLE TO DEVELOPMENT; AND B) NEED TO SHARE BURDEN OF DEBT RELIEF AMONG DEVELOPED COUNTRIES IN SUCH A WAY THAT NO ONE COUNTRY SUFFERED MORE THAN OTHERS. IT WAS NOT A QUESTION OF LACK OF CONFIDENCE OR COMMUNICATION BETWEEN DCS AND LDCS BUT ONE OF DECISION WHICH METHOD WOULD BEST RECONCILE THE TWO FACTORS. MULTILATERAL DEBT FORMULA WOULD BE MORE EFFICIENT THAN BILATERAL NEGOTIATIONS.

5. LOUNES CONTINUED THAT IF DCS NOT PREPARED TO FIND
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SOLUTIONS TO DEBT AND COMMODITY PROBLEMS WHICH ACCEPTABLE TO LDCS AND DIALOGUE HAD BEEN CREATED MERELY TO ALLAY TENSIONS, THIS WOULD CAST DOUBT ON WILLINGNESS OF GA-19 TO ALLAY THESE TENSIONS. BETWEEN JULY AND DECEMBER 1975, THERE WERE CONSIDERABLE CONCESSIONS MADE BY G-19 TO ENGAGE IN THE DIALOGUE. THERE WAS A LIMIT TO THE NUMBER OF CONCESSIONS G-19 COULD MAKE, HOWEVER, WITHOUT UNDERMINING ITS OBJECTIVES. IF NEITHER DEBT NOR PROTECTION OF PURCHASING POWER COULD BE

DISCUSSED IN CONCRETE FASHION, CIEC WAS NOTHING BUT AN EXCHANGE OF OPINIONS. IF PROGRESS WAS NOT REALIZED, THERE WAS RISK THAT DIALOGUE COULD NOT BE RESTARTED IN SEPTEMBER. PERHAPS IT COULD BE STARTED LATER, BUT G-19 COULD NOT MAKE MORE CONCESSIONS.

6. LOUNES THEN STRESSED THAT IT WAS WISH OF G-19 TO CONTINUE CIEC TALKS, BUT IT WAS IMPORTANT TO REALIZE THAT CIEC DID NOT REPRESENT A BILATERAL DEBT NEGOTIATION FOR EACH OF THE G-19 MEMBERS. EACH MEMBER REPRESENTED G-177, AND NOW THERE MUST BE COMMUNICATION WITHIN G-77 TO REACH A NEW POSITION. IT APPEARED VERY DOUBTFUL THAT THIS COULD BE DONE BEFORE SEPTEMBER, LOUNES SAID. ADDED AGAIN THAT HE COULD NOT SEE WHAT FURTHER CONCESSIONS G-19 COULD MAKE AT THIS STAGE. WITHOUT KEY PHRASES OF "GLOBAL DEBT" AND "PURCHASING POWER OF PRIMARY COMMODITIES INCLUDING OIL," HE COULD NOT SEE HOW CIEC COULD CONTINUE FOR THE MOMENT. HOWEVER, THE CO-PRESIDENTS WERE IN CONTACT; HE HOPED THEY COULD FIND A SOLUTION.

7. COMMENT: ACCORDING JAPANESE AMBASSADOR MIYAZAKI, WHO IS CO-CHAIRMAN OF CIEC COMMISSION ON RAW MATERIALS, ALGERIAN ATTITUDE ON DEBT AS REVEALED AT PARIS MEETING WAS AMBIVALENT. ON ONE HAND, ALGERIANS BUSILY BORROWING LARGE AMOUNTS OF MONEY ABROAD AND DO NOT WANT TO HARM THEIR CREDIT RATING BY BEING TWO ACTIVE PROPONENTS OF DEBT RESCHEDULING OR MORATORIUM. ON OTHER HAND, THEY FEEL OBLIGED SUPPORT INTERESTS AND VIEWS OTHER LDCS WHO ARE REPRESENTED BY 19. HE CHARACTERIZED AIT CHALLAL'S ROLE IN MEETING AS RELATIVELY MODERATE, PARTICULARLY WHEN COMPARED WITH RADICAL POSITIONS TAKEN BY MEXICO, JAMAICA, IRAQ AND IRAN, WHO WERE LEADERS OF PACK ACCORDING HIM. HE BELIEVES AIT CHALLAL UNHAPPY TO SEE HIS PATIENT WORK AS CO-CHAIRMAN OF DEVELOPMENT
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COMMISSION NEGATED BY G-19 POSITION.

8. LOUNES' VIEWS EXPRESSED ABOVE SEEM TO BE COMPATIBLE WITH THIS ANALYSIS. ON OTHER HAND, HIS RATHER FIRM COMMENTS ABOUT DIFFICULTIES OF CONTINUING DIALOGUE IF THERE NO UNDERSTANDING ON DEBT AND BUYING POWER ISSUES IS ALSO COMPATIBLE WITH IDEA ADVANCED IN OECD PARIS 20937 (STATE 182691) THAT 19 HAVE DECIDED INCREASE PRESSURE IN ORDER FORCE ISSUE. IT NOT CLEAR TO US, HOWEVER, HOW ENTHUSIASTIC ALGERIANS ARE ABOUT THIS IDEA. PARKER

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